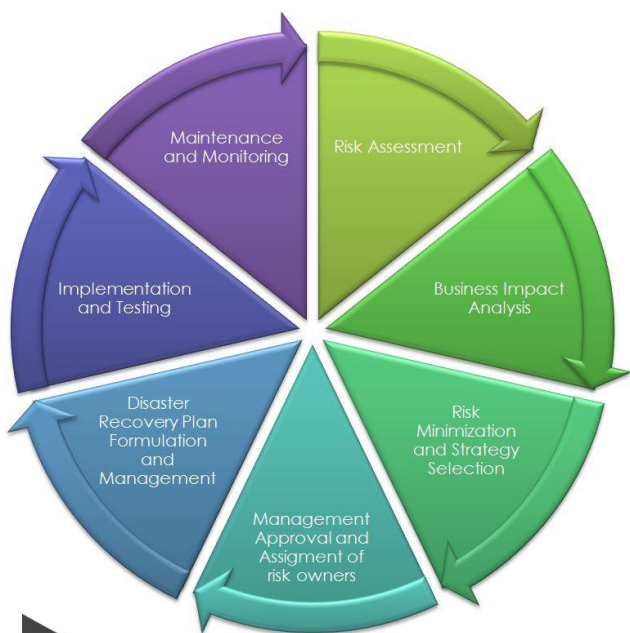


The Bulletin

Our Vision: “To be universally recognized for Human Resources excellence and as a premier employer”



The Seven Dimensions of Risk Management



What is HRD's Recipe for Mitigating Risks?

RISK MANAGEMENT SITUATION

Risk management is the systematic process of understanding, evaluating and addressing risks to maximize the chances of objectives being achieved and ensuring organizations, individuals and communities are sustainable.

Identification and assessment of Human Resource (HR) uncertainties of internal and external factors of the organization will enable us to optimize the allocation of resources that will enhance our ability to achieve strategic objectives and avoid obstacles with the ultimate goal of protecting the City of Houston employees and Human Resources Department (HRD). Fulfilling these responsibilities will protect the City from financial risk and employees from personal injury.

Whether internal or external, strategic, financial, operational, reputational or other, risks can significantly hinder the objectives of the City. In the current economic and financial context, the lack of an adequate approach to risk management is an enormous and real threat to the work of any public administration, since nowadays work efficiency and effectiveness in the public sector are more important than ever.



Risk Management Overview

Cure for the Common Culture: Building an Effective Risk Culture in HR

Therefore, it is of extreme importance that public authorities do not rely solely on their intuition in dealing with risks, but initiate professional formalized risk management as an integral and ongoing part of their general management process.

RISK MANAGEMENT BUSINESS VALUE HIGHLIGHTS

HRD is focused on ensuring the risk management of the future is supported by great programs aligned with people, tools, and services.

- Assessing all known risks and conducting a business impact analysis to determine viability will maximize the chances of achieving organizational sustainment
- Remaining transparent and inclusive around risk management findings will ensure we continue to use the best information available
- Continually reassessing risk mitigation factors for each segment will improve the overall management of risks
- Empowering employees with automation; real time access and interactive capability is changing the culture of our organization – to an

empowered workforce.

- Leveraging existing technologies to complement the growing demand of the workforce
- Driving business agility by speeding application development and delivery cycle to end users
- Improving the quality of services by catching data-related defects before production
- Speeding up testing and application deployment cycles to create greater business agility

Professionalized risk management will help our organization to address risks in the open and enhance communication with all involved stakeholders. The use of risk management tools and correctly balancing risk and control enable public authorities to make better decisions based on calculated risks and increases the focus on accountability. It supports the execution of the organization's responsibilities and the achievement of its strategic objectives and thus leads to a more effective and efficient controls without an unnecessary and disproportional increase of bureaucracy. It creates a real

added value for the quality, efficiency and effectiveness of the work of public institutions.

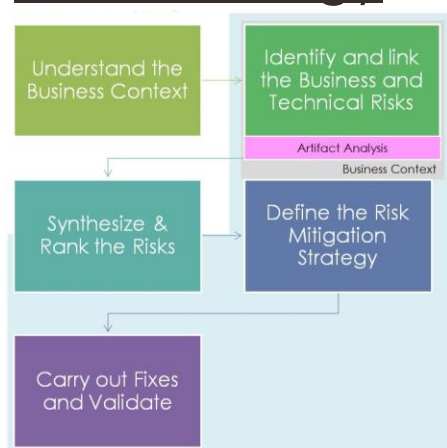
PILLARS OF THE STRATEGIC PLAN

The pillars pictured on this page represent the four key areas where we must excel in order to achieve our collective vision. For each pillar, we have identified dimensions toward which we will have a focused approach.

Each dimension is then followed by examples of the specific strategies, initiatives and outcomes that will drive success for each area. Our ability to achieve these goals will depend on the collaborative support and effort of every member of our organization.



Methodology



OUR APPROACH

Strategy Model & Process

Risk management is a two-step process – 1) determining what risks exist in the organization and **2)** handling those risks in a way best-suited to your organization. The International Organization for Standardization (ISO 31000) outlines the principals of risk management that include:

- Creation of value and the mitigation of risk
- Gain should exceed the pain
- Remain an integral part of organizational processes
- Participate in decision making process
- Explicitly address uncertainty and assumptions
- Remain systematic and structured process
- Ensure the use of the best available information
- Standard and tailorable
- Account for human factors
- Remain transparent and inclusive
- Remain dynamic, iterative and responsive to change
- Remain capable of continual improvement and enhancement
- Remain continually or periodically re-assessed

Ideal risk management involves a prioritization process that is followed whereby the risks with the greatest loss (or impact) and the greatest probability of occurring are handled first, and risks with lower probability of occurrence and lower loss are handled in descending order. In practice, the process of assessing overall risk can be difficult, and balancing resources used to mitigate between risks with a high probability of occurrence but lower loss versus a risk with high loss but lower probability of occurrence can often be mishandled. The approach is as follows:

- Establish the context
- Identify, characterize threats
- Assess the vulnerability of critical assets to specific threats
- Determine the risk (i.e. The expected likelihood and consequences of specific types of attacks on specific assets)
- Identify ways to reduce those risks
- Prioritize risk reduction measures based on a strategy

Economic Dynamics Impacting Risk Management

City government mandates certain administrative procedures that effectively align with government standards and mandates to track and record various events within the municipality. Failure to meet standards set by the City of Houston will result in the accrual of fines and penalties easily avoided by ensuring there is a sound quality check around risk assessments, policies and procedures. And ensuring a quality assessment of all risks, internal and external, allows us to better mitigate and resolve the impacts that may occur in the future.

Best Practices for Managing Risk

When looking to manage risk efficiently and effectively, the following 15 best practices are said to appropriately prepare the organization for risks that may occur.

1. Making decisions based on knowledge of evidence, knowledge of staff and their social context, knowledge of the staff's own experience, and judgment
2. Positive risk management as part of a carefully constructed plan is a required competence.
3. Conduct risk management in a spirit of collaboration
4. Develop flexible strategies aimed at preventing any negative event from occurring or, if this is not possible, minimizing the harm caused
5. Set out to reduce and prevent harm
6. Identify all risks, formulations of the situations in which identified risks may occur, and actions to be taken in response to crisis
7. Determine the most appropriate level of risk management and the right kind of intervention
8. All staff involved in risk assessment must be capable of demonstrating sensitivity and competence in relation to diversity in race, faith, age, gender, disability and sexual orientation
9. Develop a multidisciplinary team operating in an open, democratic and transparent culture that embraces reflective practice
10. All staff involved in risk management should receive relevant training, which should be updated at least every three years

Current HR Initiatives

WORKFORCE

Employee & Labor Relations

- Have all employees take at least twenty six (26) hours of training
- Meet with each employee during April of each year to discuss additional opportunities for learning and growth
- Cross train section employees on the basic responsibilities of other areas of the section
- Develop a rotation training program with another division
- Train new Grievance Committee members and Coordinators on the new grievance process
- Annually conduct a meeting with the Grievance Coordinators for suggestions on ways to improve the new grievance process

INNOVATION

Employee & Labor Relations

- Utilize the online training option available through the Learning Management System to reach more employees
- Develop and implement online classes for the Positive Corrective Action Program and Reasonable Accommodation procedures for applicants and employees
- Work with Client Relations to train a group of employees to conduct training classes
- Provide online training program for managers and supervisors on the new HOPE contract

Communications

- The Risk Management team works with Communications to develop and distribute information through the Internet/Intranet, Email,

Learning & Development Center

- Examine and electronically document existing business processes across all functional areas to include, but not limited to, the following:
 - Instructor-led Curriculum Development
 - Web-based Curriculum Development
 - Course Delivery, and Evaluation
 - Course/Offering Creation
 - Succession Planning
 - Room Reservation
- Re-engineer business processes to streamline and enhance efficiencies and conduct just-in-time trainings to communicate business process modifications to staff, documented learning in the TMS
- Evaluate existing program offerings (LIP, CAPS, ASCP) to streamline or zero-base its content delivery while strategically responding to department-specific requests
- Finalize the LDC's accreditation status with the International Accreditation of Continuing Education and Training (IACET) organization
- Performance Management

FINANCIAL

Learning & Development Center

- Accounts
- Ensure HEAR Performance Work Plans are aligned with the organizational core business strategy and that managers and supervisors are meeting regularly with their employees to report on progress



- Upgrade the LMS to the cloud, conduct fit/gap analysis on re-engineered business processes, and enhanced functionality
- Payable/Receivable
- Procurement and Inventory

RISK MANAGEMENT

HR Operations

- Reduce injuries/accidents by 10%
- Reduce projected injury costs by 10%
- Train on Root Cause Investigations, focusing on cause, control and prevention in addition to department specific training
- Implement Medical Disability Guidelines and the early identification of Transitional Duty assignments via Safety
- Implement Salary Continuation in Lieu of TIBS for Classified employees
- Design and implement CRM for citywide incident reporting and workers' compensation case management
- Finalize RFP process for Worker's Compensation Third Party Administrator

Execution

OUR SOLUTION

The three lines of defense method is the typical approach used to implement a formalized risk management procedure to help avoid the blame game and to ensure there are clear lines regarding roles and responsibilities:



1. Frontline management

This layer of defense is typically the closest to the actual risks themselves including operational, project, and counter party risks. This layer of defense typically always involves assessing and determining the tradeoff of risks and determining which path to select. It is frontline's duty to ensure that all decisions that are made are with a conscience considerations of all risks involved.

2. Risk management external and internal audit

The second line of the defense in managing risk that usually encompasses two key tasks: setting the framework for the frontline management and monitoring compliance using this frame. The risk function strives to build the company's risk management framework, supports the risk committee in establishing this framework, in the form of policies and standards, and monitors frontline management in several ways.

3. Executive risk committee and business unit leadership

The third line of defense is ultimately responsible for risk management across an organization. It is responsible for proper functioning risk wheel, ensuring the organization is fully aware of its key risks, define the appetite with respect to these risks, and cascade this down into the organization via an appropriate framework to promote sound implementation of processes, organization, and culture. It must also ensure through the internal-audit function that this framework is adhered to properly.

OUR OUTCOMES

Executive Summary – Risk Management (Risk Organization and Governance)

Governance

The systemic approach to decision-making processes associated to natural and technological risks, based on the principles of cooperation, participation, mitigation and sustainability, adopted to achieve more effective risk management that is convergent with other public and private policies.

A clear risk appetite statement sets the guideline from the top for risk management. Normally it needs to be approved by the board and included in company's risk policies. With the proper risk appetite and limits in place, our organization can ensure that all risk-taking activities are consistent and are not exceeding the risk tolerance. Setting up a risk appetite framework is not a trivial task. It usually requires the following steps:

1. Bottom-up analysis of the company's current risk profile.
2. Interviews with the board of directors regarding the level of risk tolerance.
3. Alignment of risk appetite with the company's goal and strategy.
4. Formalization of the risk appetite statement with approval from the board of directors.
5. Establishment of risk policies, risk limit and risk-monitoring processes consistent with risk appetite.

6. Design and implementation of the risk-mitigation plan to be consistent with risk appetite.
7. Communication with local senior management for their buy in.
8. Measure and assess

Exhibit 2 A framework helps in assessing enterprise risk management.



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